

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03  
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TO SECSTATE WASHDC PRIORITY 2857  
INFO AMCONSUL FLORENCE  
AMCONSUL MILAN  
AMCONSUL NAPLES

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E.O. 11652: N/A  
TAGS: PINT, IT  
SUBJECT: ITALIAN POLITICAL DEBATE STILL CENTERS ON GOVERNMENT  
ECONOMIC PROPOSALS

REF: ROME 2340

1. SUMMARY. POLITICAL ACTION DURING THE PAST WEEK HAS REMAINED FOCUSED ON THE ANDREOTTI GOVERNMENT'S PROPOSALS IN THE ECONOMIC AREA. AS COMMUNISTS (PCI) OUTLINED THEIR PROPOSALS FOR MODIFICATION OF THE ECONOMIC DECREES AND THE CHRISTIAN DEMOCRATS (DC) SOUGHT TO FIND A PARLIAMENTARY ECONOMIC CONSENSUS, THE SOCIALISTS (PSI) PUSHED THEIR INITIATIVE FOR OPEN-ENDED BILATERAL CONSULTATIONS WITH THE OTHER

PARTIES. THE PSI PROPOSAL IS INDICATIVE OF THE GROWING DISCONTENT OF THE SMALL PARTIES WITH THE CURRENT GOVERNING FORMULA, AND THERE IS LITTLE DOUBT THAT THE BILATERAL CONSULTATIONS, NOW AGREED TO BY THE DC AND ALL THE ABSTAINING PARTIES, WILL BE USED BY THE PSI TO EXPLORE IN A TENTATIVE WAY POSSIBLE ALTERNATIVE GOVERNMENTAL SOLUTIONS.

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END SUMMARY.

2. THE ANDREOTTI GOVERNMENT'S ECONOMIC DECREES REMAIN AT THE CENTER OF POLITICAL ACTIVITY. PCI, PSI AND THE LABOR CONFEDERATIONS MADE CLEAR IN A FEB. 16 MEETING THEIR POINTS OF VIEW (DISCUSSED FULLY SEPTTEL) THAT THE DECREES

MUST BE MODIFIED BEFORE PARLIAMENTARY APPROVAL. PCI ECONOMIC EXPERT GIORGIO NAPOLITANO FLESHED OUT PARTY SECRETARY BERLINGUER'S FLAT PREDICTION (REFTEL) THAT THE DECREE LAWS WOULD NOT PASS PARLIAMENT IN THEIR PRESENT FORM.

NAPOLITANO CRITICIZED THE GOVERNMENT FOR MAKING NO MOVES TO CONTROL PUBLIC EXPENDITURES, AND HE SUGGESTED THAT IT WOULD BE BETTER TO SUSPEND COST-OF-LIVING INCREASES IN SOCIAL WELFARE PAYMENTS RATHER THAN FOR THE GOVERNMENT TO DIRECTLY ASSUME RESPONSIBILITY FOR SOME OF THE PAYMENT. PSI ECONOMIC SPOKESMAN SIGNORILE ATTACKED THE DECREES IN A MORE GENERALIZED WAY, BUT CONCENTRATED ON THE NEED TO AVOID A MASSIVE INCREASE IN THE VALUE-ADDED TAX, HE SUGGEST THAT IT WOULD BE BETTER TO RAISE PERSONAL INCOME TAXES AS WELL. THE LABOR CONFEDERATIONS REJECTED BOTH THE GOVERNMENT'S PROPOSAL TO LIMIT THE COSTS OF LOCAL CONTRACT SETTLEMENTS AND THE IDEA OF EXCLUDING THE EFFECTS OF THE VALUE-ADDED TAX INCREASE FROM THE WAGE ESCALATOR. IN RETURN, THE CONFEDERATIONS SUGGESTED THAT SOME ITEMS SUCH AS THE PRICES OF URBAN TRANSPORT NEWSPAPERS MIGHT BE EXCLUDED FROM THE COST-OF-LIVING INDEX, BUT ONLY IN RETURN FOR A POLICY OF GOVERNMENT VIGILANCE AGAINST EXCESSIVE PRICE INCREASES AND ADEQUATE INVESTMENTS.

3. IN THE FACE OF THIS TOUGH SLEDDING, DC ECONOMIC EXPERTS ENGAGED IN CONTINUING CONSULTATIONS WITH THE OTHER PARTIES. PM ANDREOTTI CONTINUES TO APPEAR FLEXIBLE ON THE ECONOMIC ISSUES, STRESSING HIS WILLINGNESS TO LISTEN TO IDEAS FOR AMENDING HIS PROGRAM SO LONG AS THE AMENDMENTS ARE CAPABLE OF ACHIEVING THE SAME BASIC GOALS.

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4. THE DC'S AND GOVERNMENT'S CONSULTATIONS COMPETED FOR PUBLIC ATTENTION WITH THE PSI CALL FOR A SERIES OF BILATERAL MEETINGS BETWEEN THE PSI AND THE OTHER PARTIES. INITIALLY, THE REPUBLICANS (PRI) APPEARED OPPOSED TO THE SOCIALIST SUGGESTION, STRESSING THAT BILATERAL MEETINGS MIGHT SHIFT THE FOCUS AWAY FROM VITAL ECONOMIC MATTERS ONTO SECONDARY CONSIDERATIONS OF POLITICAL FORMULAS. THE PRI VIEW, HOWEVER, WAS NOT SUPPORTED BY ANY OTHER PARTY, AND BY NOW ALL OF THE ABSTAINING PARTIES PLUS THE DC HAVE AGREED TO THE SERIES OF BILATERAL MEETINGS, WHICH HAVE NOT YET BEEN SCHEDULED.

5. COMMENT. THE PSI PROPOSAL FOR BILATERAL PARTY CONSULTATIONS IS PROBABLY THE MOST SIGNIFICANT POLITICAL DEVELOPMENT OF THE WEEK. THE INITIATIVE, WHICH APPEARS TO HAVE BEEN PUSHED MORE BY PSI VICE SECRETARY MANCA THAN BY PARTY SECRETARY CRAXI, PROBABLY AROSE FROM THE GROWING DISSATISFACTION WITHIN THE PSI (AND SHARED BY

THE OTHER SMALL PARTIES) OVER THE INCREASING DOMINANCE OF THE DC AND PCI ON THE POLITICAL SCENE. THE SOCIALISTS ARE UNITED IN THE DESIRE TO PRESERVE THEIR LIMITED INFLUENCE, BUT THEY ARE DIVIDED OVER VITAL QUESTIONS SUCH AS THE FUTURE ROLE OF THE PCI AND THE ATTITUDE TOWARD THE DC. GIVEN THIS, IT IS NOT SURPRISING THAT THE PSI CALL FOR BILATERAL MEETINGS CAME UNACCOMPANIED BY EVEN A HINT OF A DETAILED AGENDA FOR THOSE MEETINGS OR AN IDEA OF THE PSI'S CONCEPTION OF THE POLITICAL FUTURE. IN CONVERSATION WITH EMBOFFS, CRAXI CHARACTERIZED THE MEETINGS AS AN OPEN-ENDED TEST OF THE WAY IN WHICH THE POLITICAL WINDS ARE BLOWING. NEVERTHELESS, IT IS SIGNIFICANT THAT THE MEETINGS, WHEN THEY FINALLY OCCUR, WILL FOR THE FIRST TIME SINCE THE FORMATION OF THE ANDREOTTI GOVERNMENT BRING THE DC AND PSI TOGETHER FOR DISCUSSIONS OF A BASIC POLITICAL NATURE. THE MEETINGS BETWEEN THE PSI AND THE ABSTAINING PARTIES LIMITED OFFICIAL USE

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WILL BE REPLAYS OF PREVIOUS ENCOUNTERS, BUT THE DC-PSI ENCOUNTER HAS THE POTENTIAL FOR COVERING, IF NOT BREAKING, NEW GROUND.BEAUDRY

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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009